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### **High Unemployment and Declining Trust Fund Mean Higher Employer Taxes**

OLYMPIA – Many Washington employers will pay higher unemployment taxes in 2004 under an existing state law designed to keep the unemployment trust fund solvent during recessions.

The state Unemployment Insurance Trust Fund shrank 24 percent between September 2002 and September 2003, thereby triggering the tax schedule change.

“The high number of laid-off workers collecting unemployment benefits has continued to draw down the trust fund balance,” said Employment Security Commissioner Sylvia P. Mundy. “State law requires the change to a higher tax rate schedule next year to sustain the fund and assure money is available to assist workers who have not found jobs. The change to a higher tax rate schedule is consistent with projections we have provided for about two years, but some businesses may not yet be aware of the issue.”

Rates for 2003 were determined by Schedule B. Rates for 2004 are determined by Schedule C, and will range from 0.97 percent to 5.4 percent of taxable wages for established businesses.

The amount of worker wages that is taxed will also increase under state law. Employers will pay unemployment taxes on the first \$30,200 of a worker's wages in 2004.

Businesses, on average, will see their taxes rise by about 14 percent, although the exact amount varies widely among individual employers based on several criteria including how often they lay off workers. Businesses in Washington will see their taxes per employee increase from an average of \$527 in 2003 to an average of \$600 in 2004.

The department will mail tax rate notices for 2004 to employers in early December. The first tax payments using the new rates are due April 30, 2004.

As of Sept. 30, 2003, the balance in the Unemployment Insurance Trust Fund was \$1.1 billion – approximately \$216 million less than the balance necessary to remain in Schedule B. The state paid \$1.62 billion in regular unemployment benefits to jobless workers between June 2002 and June 2003. In addition, unemployed workers received \$780 million in federally paid extensions and \$60 million in state-federal extensions.

The calculation of the tax schedule is set by state law in RCW 50.29.025.

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